

DEFENSE LOGISTICS AGENCY

NOVEMBER – DECEMBER 2013

# LOGGLINES

*Improve  
Customer  
Service*



*Decrease  
Direct  
Material  
Costs*



*Rightsize  
Inventory*



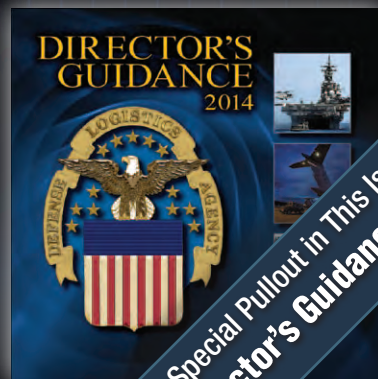
*Decrease  
Operating  
Costs*



*Achieve  
Audit  
Readiness*

# BIG IDEAS

TRACKING PROGRESS



Special Pullout in This Issue  
**Director's Guidance 2014**

Report Documentation Page				Form Approved OMB No. 0704-0188	
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1. REPORT DATE <b>DEC 2013</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2013 to 00-00-2013</b>	
4. TITLE AND SUBTITLE <b>Loglines. November-December 2013</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Defense Logistics Agency,8725 John J. Kingman Road Suite 2545,Fort Belvoir,VA,22060-6221</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>40</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			



from the  
**DIRECTOR**

**Navy Vice Adm. Mark Harnitchek, USN**  
**Director, Defense Logistics Agency**

It's been about a year since DLA focused on our "Big Ideas" and moved out smartly to significantly improve support to the warfighter and dramatically reduce our cost of operations and cost of material. And I'm absolutely thrilled to report that support to the warfighter across all our supply chains is better than it was this time last year, and we're well underway toward saving \$13 billion over the next six years.

This issue of Loglines is an update on our Big Ideas and highlights the great things happening all over DLA. In Strategic Network Optimization we're making huge progress in disposing of excess inventories, rationalizing our infrastructure, putting material in the right places all over the world, and changing our forecasting models to ensure our rightsizing efforts are institutionalized. In Afghanistan all the supply chains are in overdrive with DLA Energy, DLA Troop Support and DLA

Disposition Services doing exceptionally heavy lifting supporting current and retrograde operations. And recall that we're a year out from Hurricane Sandy – an event where you showcased DLA's extraordinary ability to rush huge volumes of relief to our fellow citizens. Finally, you're doing things you've never done before like executing more than 5,000 reverse auctions for all manner of goods and services and saving the taxpayer almost \$2 billion.

I've said it many times, "Nobody does this better than DLA," and you are proving it. So to take the Big Ideas to the next level, we have established a Big Ideas website. This will expedite communications between DLA Headquarters directorates and primary-level field activities on proposed suggestions. Some suggestions have dealt with transportation of items, pallets, security and DLA-stocked items, and most submitters have been detailed in their submissions. In fact, one of the submitters said we ought to make better use of old furniture, and that's exactly where all my office furniture came from – DLA Disposition Services. And while that may not be "big money," it's money nonetheless

and every little bit counts. So if it's an idea that only saves a little, we're interested in hearing it because every Big Idea started as someone's Little Idea.

None of this progress would be possible without the hard work, dedication and commitment to mission that every DLA team member has. You have proven, once again, that there's simply nothing DLA cannot do when it comes to logistics. Keep up the great work, and keep pressing on how to significantly improve support while dramatically reducing cost

Thank you for all you do. I am very proud of you and honored to be DLA's director. ★



## LOGLINES

Official Flagship Publication of the Defense Logistics Agency

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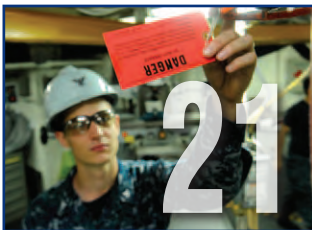
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**Loglines** is prepared electronically, using desktop publishing applications; no commercial typesetting costs are involved. Photos not credited are courtesy of agency sources. Submissions and correspondence may be sent to the address below:

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# What's the Big Idea?

Story by Jacob Boyer

**A**s Defense Logistics Agency Director Navy Vice Adm. Mark Harnitchek approaches the end of his second year in charge of the agency, the focus on his “Big Ideas” initiative is more crucial than ever. The Defense Department’s budget is shrinking, and Harnitchek wants the agency to continue delivering on his promise to “significantly improve performance while dramatically reducing costs.”

In May, the director expanded his plan for DLA to save \$10 billion over five years to one that is looking for \$13 billion by 2019.

“Writ large, the mission at DLA stays the same: It’s getting the stuff out to our customers across all those supply chains and doing that at the least cost,” Harnitchek told the agency’s workforce during a Sept. 17 Director’s Call. “I need you to do that. The only problem is we’re going to have to do it with less money.”

Five Big Ideas are shaping the way DLA delivers on its promise: decrease direct material costs, decrease operating costs, rightsize inventory, improve customer service, and achieve audit readiness. When Harnitchek announced them as DLA’s way forward in April 2012,

he said it was up to every member of the agency to make them happen.

“What I’m asking all of you to do is help us figure out how we’re going to do this,” the director said. “I’m not asking you to be cheap or to short the customer, but to figure out a way to have something that cost \$1 last year cost 80 cents this year.”

Harnitchek’s fiscal 2013 Director’s Guidance laid out how he and agency leaders planned to achieve those ambitious goals, and leaders and team members across the agency have worked to execute those plans. Tools DLA was already using, like reverse auctions, and initiatives the agency was already involved in, like Strategic Network Optimization, were enhanced to save even more money. As of September, the director said, reverse auctions had already saved more than \$1.6 billion in fiscal 2013.

While the increased emphasis on existing concepts has contributed to the effort, new ways of doing business are also coming to fruition. Employees involved in the First Destination Transportation and Packaging Initiative have identified millions of items that will no longer need to have military-specific packaging added before shipping, saving material and labor costs. As DLA planners work to shed the agency’s excess inventory, new forecasting models are helping them better predict warfighters’ needs for sporadically requested products.

Efforts are also being made to improve DLA’s interactions with its customers. A far-reaching survey with senior leaders across the military services gave DLA Logistics Operations a good look at what the agency does right and where improvements are needed when it comes to delivering supplies to warfighters worldwide. The results of that survey are driving efforts to increase

As the Defense Department maintains its schedule to achieve audit readiness in 2017, DLA is projecting it will have its first full audit completed in 2015, two years ahead of the DoD target.



Navy Petty Officer 3rd Class Lacordrick Wilson



communication, increase responsiveness and proactively engage the agency's customers.

In audit readiness, DLA's team is leading the Defense Department in meeting former Secretary of Defense Leon Panetta's goal to have the entire department fully auditable by the end of fiscal 2017. DLA is projected to be ready for its first full audit in 2015, a full two years ahead of the DoD schedule.

These initiatives and more will help DLA navigate the uncertain budgetary environment the Defense Department faces, Harnitchek said. A large portion of the agency's budget is tied to the cost of buying materials. Although operations will be streamlined, he said, a large chunk of the \$13 billion in planned savings will come from there.

"We're about a \$45 billion outfit here; about \$5 billion is the buildings, the people,

warehouses, salaries and [information technology]. The big number is the money we spend to buy things," the director said in September. "We're certainly going to get more efficient in the cost of operations, but that's not where all the money is. There's a big effort here to have us cost a lot less than we did a few years ago."

In the introduction to his fiscal 2014 Director's Guidance, Harnitchek wrote that DLA's workforce continues to build on the solid foundation laid down in previous years and said the "focused effort, hard work and dedication" are why the agency continues to succeed in its goals.

Sailors inventory boxes at a DLA warehouse in San Diego. The First Destination Transportation and Packaging Initiative has reduced the need for military-specific packaging, saving the services material and labor costs.

"As we face the significant fiscal and strategic challenges ahead, we must remain resolute and continue to lead the way in innovation and transformation," he wrote. "Acting together, with enthusiasm, optimism and focus, we WILL continue to achieve great things. What you do makes a difference so keep charging. I am proud of you and this great organization." 🌟

*"Writ large, the mission at DLA stays the same: It's getting the stuff out to our customers across all those supply chains and doing that at the least cost."*

*— Navy Vice Adm. Mark Harnitchek*

# Decrease Direct Material Costs Be Smart Buyers of the Right Stuff

Story by Amanda Neumann

I'll take several methods of driving down costs to meet Defense Logistics Agency Director Navy Vice Adm. Mark Harnitchek's intent for DLA to "be smart buyers of the right stuff."

As one of Harnitchek's five "Big Ideas" implemented in March 2012, DLA is working to decrease direct material costs. This is a large part of efforts to shed \$13.6 billion in expenditures by 2019. Methods DLA is using to drive down costs include: reverse auctions, value management, strategic sourcing,

and improvements to the agency's procurement systems and processes.

Although the agency has already reached or exceeded most of its targeted goals for fiscal 2014, which include savings from both fiscal 2012 and 2013, improvements can be made in some areas, said Tim Stark, head of the functional group for material cost reduction in DLA Acquisition.

"We've done really well starting up," he said. "The targets get more and more aggressive as you go forward. And

although we're doing great, we've got a long way to go."

### Reverse Auctions

A large portion of the savings come from reverse auctions, which have saved DLA more than \$1.6 billion over the past year, Harnitchek said at his Sept. 17 Director's Call with agency employees.

In reverse auctions, sellers bid online for contracts. These can be contracts for either instant procurements, for items needed to send directly to a customer or to be stored by DLA, or for long-term contracts for a term usually lasting five years, said Carmen Pillitteri, a business process analyst at DLA Land and Maritime.

By allowing sellers to view the lowest offer and bid against it, the process creates intense competition between firms, which drives prices down, he said.

"Since it's a competition-based event, we need to have at least two vendors that are quoting and that are competitive with each other," Pillitteri said. "When they log in, they see their own price and they also see the current lowest price on the procurement. They don't know who their competitors are, and they don't know how many competitors they have in the auction, but they see the prices and have an opportunity to lower their price."

Auctions run for no longer than an hour, Pillitteri said.



Regular auctions have multiple buyers bidding toward one source supplier. Reverse auctions are a Web-based pricing tool that fosters competition between contractors to reduce the price the government pays for a particular item. By requesting an item from multiple suppliers, DLA is able to get those suppliers to bid against each other to give DLA the best price.



Obtaining Technical Data Packages used to manufacture spare parts allowed DLA Land and Maritime's value management team to increase competition when procuring parts for up-armored construction equipment, like this heavily armored Caterpillar D9 bulldozer. Previously bought sole-source, the competitive technical data packages have led to a total of \$1.6 million in savings to date.

"We set it up, give the [sellers] two days to prepare, run it for a half hour to an hour and then it's done," he said. "If someone bids in the last few minutes, the time will be extended by five minutes, so every vendor has an opportunity to put in their best price. But it's a very definite and relatively short timeframe. That's one of the best parts about it."

DLA requires reverse auctions for procurements of \$150,000 or greater, but reverse auctions can be used for procurements at any price, Pillitteri said. For instance, DLA Land and Maritime temporarily changed its local policy to require reverse auctions on procurements at the \$25,000 threshold, providing a substantial increase in reverse auction opportunities. As a result, the organization conducted seven times as many reverse auctions

in fiscal 2013 as it did the previous year, resulting in savings of \$28.5 million by July 2013. This sum far exceeded the DLA Land and Maritime target of \$3.3 million in savings by the end of fiscal 2014, he said.

Held almost daily, reverse auctions have also worked well for other DLA field activities, including DLA Aviation, which has already exceeded its fiscal 2014 goal of \$4 million. From October 2012 to July 2013, DLA Aviation conducted 241 reverse auctions, 49 percent of which were successful and saved the organization \$27.96 million, said LaKisha Andrews, DLA Aviation's reverse auction program manager.

"DLA Aviation's contracting officers have done a great job embracing the use of reverse auctions, which has been a great benefit to the successful push

of [DLA] Aviation's overall savings," she said. "Two of our most successful auctions were for parachutes and turbines. The parachute yielded savings

### *DLA's Big Ideas*

*Decrease Direct Material Costs*

*Rightsize Inventory*

*Decrease Operating Costs*

*Improve Customer Service*

*Achieve Audit Readiness*

# Big Ideas: Tracking Progress

of \$7 million, and the turbine yielded savings of \$2.1 million.”

DLA Energy is also using reverse auctions to get better prices and increase competition in awarding fuel contracts, said Anthony Thomas, policy chief of the Procurement Planning Branch in DLA Energy.

In fiscal 2013, DLA Energy achieved \$400 million in savings by using reverse auctions.

“We’re using this tool across the different business areas where we think it’ll add value and help us get better pricing,” he said.

## Value Management

With a goal to promote competition, value management is a systematic process of reducing material costs while retaining the same or better quality, reliability and function.

At DLA Aviation, F-15 Eagle aircraft wire harnesses have garnered the most savings through value management, helping the organization easily meet its fiscal 2014 target of \$14 million, said Ralph Newlon, deputy director of DLA Aviation’s Engineering Directorate.

“Five years ago, DLA Aviation Engineering worked with the Air Force in

With a goal to promote competition, value management is a systematic process of reducing material costs while retaining the same or better quality, reliability and function.

Warner Robins, [Ga.], to fund an effort to revise and complete the technical data they already had so we wouldn’t have to buy these items sole-source,” he said. “Once completed, we used that technical data to break out the item through a source selection process. We ended up selecting a new contractor ... whose prices were just about half of what [the previous vendor’s] were. To date, we’ve saved about \$48 million over the past two years. We expect to save about \$60 million total.”

By July 2013, DLA Aviation had saved \$42 million, in part due to another successful effort: creating additional sources for ballistic foam, used to prevent explosive vapors in Air Force A-10 Thunderbolt II aircraft wings, Newlon said.

“Several years ago, our Air Force customer helped us to realize the manufacturing process for that foam was going to be phased out, so we had to find a new ballistic foam out of necessity,” he said. “We worked with and funded the Air

Force’s research and came up with a new foam, which created a new national stock number and a sole-sourced item. Anytime you have a sole-source situation, prices tend to be a little bit higher. Now, we have a second source on all [types of] the foam. So far, we’ve awarded three contracts against those NSNs, and we’ve saved \$200,000, but it’s very early in the savings window. Over the six-year window, we expect to save about \$12 million just by adding that [additional] source.”

## Strategic Sourcing

DLA Acquisition’s Stark said the main area under reducing material costs in which DLA has yet to hit its target is “strategic sourcing,” or increasing governmentwide cooperation in purchasing goods. Using DLA’s buying power helps get better prices for a wider range of customers. Strategic sourcing uses a variety of techniques, including prime vendor relationships, long-term contracts, and “performance-based logistics,” which is a way to provide support for a weapons system by having the contractor be responsible for the performance of the system, not just supplying spare parts.

“That’s where we see most of our large contracts with original equipment manufacturers and other big manufacturers,” Stark said. “Those contracts have just been put into place over the course of this past year, and a lot of them are coming due in the next few months. Once those are in, we fully expect to make the fiscal 2014 target for those as well.”

Switching a sole-sourced ballistic foam, used in the wings of A-10 airplanes to prevent the buildup of explosive vapors, to a second source will save the Defense Logistics Agency \$12 million over six years thanks to a value management initiative within DLA Aviation.



Photo Courtesy DLA Aviation



The agency's target savings through strategic sourcing exceeds \$4 billion, but DLA Troop Support has already saved \$66.1 million, said Ruth Herman, a senior procurement analyst at DLA Troop Support.

"All the big stuff we're doing is under strategic sourcing," she said. "The big one in DLA Troop Support Subsistence is increasing manufacturer discounts. We're negotiating discounts for our National Allowance Pricing Agreement program. It's actually pricing agreements we have with major manufacturers like Kellogg's and Nabisco to give us the best deal, and we've got about \$20 million in savings through July."

DLA Troop Support Medical is expected to save \$791 million alone over the next 10 years due to a recent negotiation to lower pharmaceutical prime

vendor distribution fees, Herman said.

"We just negotiated a better deal from a negative 5.28 distribution fee to negative 8.87 percent," she said. "That's giving us \$6 to \$7 million a month, so that's going to give us another \$12 to \$14 million alone [by the end of fiscal 2013]. We've also awarded our first national [generic drug] contract, so we'll start seeing those savings soon."

While the Big Ideas initiatives has been challenging, it has pushed the supply chain to make more aggressive moves, something that better aligns DLA with the commercial sector, Herman said.

"This is making people negotiate harder and be a little bit more aggressive," she said. "They're doing a little bit more market research and seeing what the commercial market is getting. But the biggest challenge with the Big Ideas, across all of the levers, is measuring the savings. Putting levers together and trying to figure out how you're going to save the money is one thing, and then figuring out how you're going to count the money is another thing."

DLA Energy has also seen significant success in its strategic sourcing efforts, namely in its negotiation techniques with suppliers, Thomas said.

"It's a package of things that has helped us," he said. "We did a number of initiatives to squeeze every penny we could out of our deals, including getting suppliers paid faster and upping the amount of guaranteed product that will be purchased under a contract. In the fuel industry, if you can shave a penny or two off per gallon, you can claim success; it's just that tight."

A FRAM oil filter in commercial (left) and military-specification packaging (right). The switch from military to commercial packaging is expected to save the agency hundreds of millions of dollars over the next five years due to the First Destination Transportation and Packaging Initiative.

Just like at DLA Troop Support, aligning with commercial practices has also helped DLA Energy achieve savings, Thomas said.

"Aligning the quality standards to commercial practices is a huge change in how we've done business that applies to all contracts," he said. "We've tried to move toward more commercial [fuel] product because it's more readily available, which improves competition. Even predictability of when a solicitation will come out is beneficial since [suppliers] will be prepared and ready for it."

DLA Energy is expected to save \$195 million over five years by procuring more commercial fuel for the military services.

## Procurement Systems and Process Improvements

Improvements to the agency's procurement systems and processes can have a profound effect on costs and performance. Current initiatives within PSPI include the expanded use of "should-cost" assessments to find out items' actual values, improved customer returns and an increased use of the agency's Procurement Automated Contract Evaluation system.

One of the most anticipated initiatives in the agency is the First Destination Transportation and Packaging Initiative. With a twofold approach to reduce packaging costs using commercial-



A brake pad in military-specification packaging (left) and commercial packaging (right). Already implemented in March 2013, 4.2 million items within targeted supply chains, or 93 percent overall, are eligible for the commercial packaging in the First Destination Transportation and Packaging Initiative, saving not only material costs but labor costs as well.

specification packaging and decrease transportation costs by allowing vendors to use DLA's inbound transportation providers, the initiative is expected to save the agency hundreds of millions of dollars over the next five years, said Todd Jenkins, program manager for the initiative at DLA Land and Maritime.

"The [First Destination Transportation and Packaging Initiative] is really a catalyst to help both of these process functions achieve optimum savings," he said.

Since the initiative's start in March, 4.2 million items within the targeted supply chains, or 93 percent overall, are eligible for the commercial packaging, saving material and labor costs, Jenkins said.

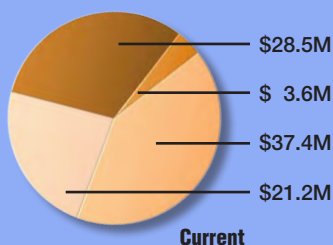
"It really comes down to just using some of the industry's best practices to package an item," he said. "There's a misconception that [military] packaging is excessive; sometimes it's the right amount of packaging in order to get an item serviceably to the customer. However, when people put an extra level of packaging in, that adds extra cost. More than the material itself, it was the repackaging labor portion that would drive costs up."

While the agency has found many opportunities for commercial packaging, Jenkins said, some items, like hazardous materials, will still be shipped using military-specification packaging. He said it is important to note that any savings from the initiative will filter right back to DLA's customers.

"This really has been a collaborative, interagency effort that had been in the wings for a while until we had tremendous support, like the director's, that pushed it," he said. "We in the government have to be the ones that latch onto as much of these savings as possible, so that we can get the value of the dollar to go a little further for the Defense Department during these tough times. Whatever savings we make, we pass that back to the warfighter for personnel,

## DECREASING DIRECT

### DLA LAND AND MARITIME



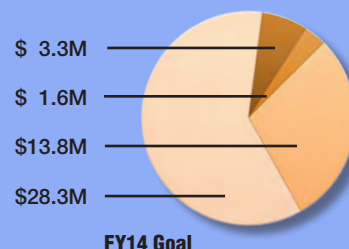
Current

#### Reverse Auctions:

- Seven times as many auctions as FY12; 2,064 to date.
- Rifle bipod – award value \$1.28B awarded March 2013, historical savings of \$91,119.

#### Strategic Sourcing:

- 120,000 original equipment manufacturer and long-term contracting actions to negotiate reduced unit prices for items.
- More than 225 long-term contracts awarded.
- Eaton competitive project, awarded September 2013, will save \$1.5M over five years.



FY14 Goal

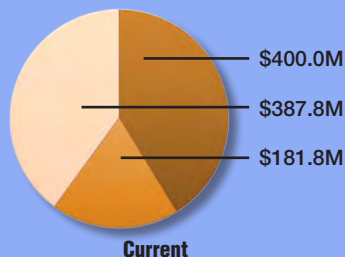
#### Value Management:

- 955 awards on 655 VM projects, top 15 projects produce \$15.8M in savings.
- Three successful antenna projects saved \$6M alone.
- An additional \$5.6M is expected from a Hawker Battery source breakout.

#### Procurement Systems and Process Improvements:

- 169,000 contract actions resulted in \$9M in savings.
- First Destination Packaging and Transportation Initiative, implemented in March 2013, will provide further savings.

### DLA ENERGY



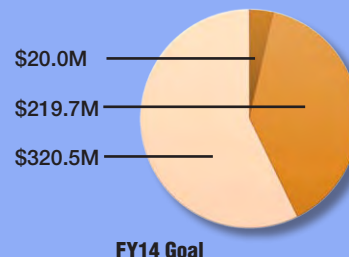
Current

#### Reverse Auctions:

- Three June auctions, for a mix of fuel to be delivered to forward operating bases throughout Afghanistan, netted \$400 million in savings.

#### Strategic Sourcing:

- By procuring more commercial fuel for the military services, DLA Energy is expected to save \$195M over the next five years.



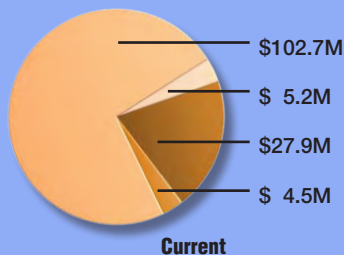
FY14 Goal

#### Procurement Systems and Process Improvements

- Upcoming Enterprise Business Systems eProcurement rollout in April 2014 is expected to save millions.

# T MATERIAL COSTS

## DLA AVIATION

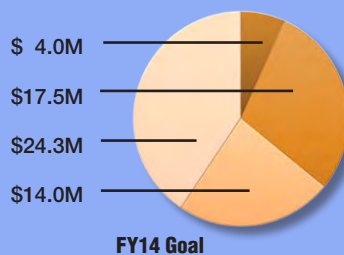


### Reverse Auctions:

- So far, 211 auctions conducted, of which 93 were successful.
- Three auctions on parachutes netted \$9.5M in savings.

### Strategic Sourcing:

- Supplier and Department of Defense partnerships.
- Tailored logistics support / performance-based logistics. (Also in DLA Land and Maritime.)



### Value Management:

- Three contracts for \$200,000.
- A-10 ballistic foam – Over six years, expect \$12M in savings.
- F-15 wire harness to date has saved \$48M, \$60M expected savings total.

### Procurement Systems and Process Improvements

- First Destination Transportation and Packaging Initiative will provide further savings. (Also used in DLA Land and Maritime and DLA Troop Support's industrial hardware and construction and equipment supply chains.)

equipment and other operations that are already stretched thin.”

Due to be implemented in late October 2014, transportation changes within the continental United States will help consolidate shipments from local vendors, using DLA trucking to travel from one local destination to the next, said Roy Pitman, a program analyst and contracting specialist at DLA Land and Maritime.

“For inbound procurement, DLA does business with about 7,300-plus ... company locations,” he said. “Each one of them operates independently. They could be right next door to each other, but they’re not taking advantage of using the same trucks that are coming in. We’re paying for their transportation rates, which are not nearly as good as what we can buy. Plus, we’ve got \$7 billion to spend as opposed to each of those vendors, two-thirds of which are small businesses. Their spending doesn’t allow them to get good transportation rates from DHL, FedEx, UPS and other carriers, so we can leverage ours to get better rates.”

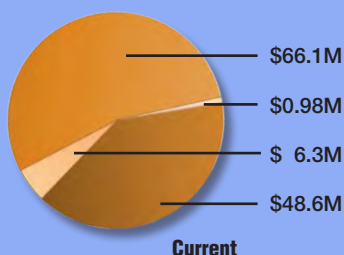
For DLA, although the cost savings from this initiative will trickle in slowly, the plan will pay off in the long run, Pitman said.

“This isn’t a sprint; this is a marathon,” he said. “This is a strategic initiative.”

By separating the transportation costs, DLA will get a better idea of the true cost of a product, Jenkins said, something that could also open the door for more small business competition.

“We’re actually doing things that will give us a clearer picture on the actual cost per product,” he said. “We’re ‘debundling’ things that were previously embedded, like transportation and packaging. And as we look at those numbers, we’re starting to realize that people used transportation to cover a lot of their general and administrative costs. By doing this, we’re going to get down to the real cost of the product itself, and that will open up the doors for small- and medium-sized businesses.” ☆

## DLA TROOP SUPPORT

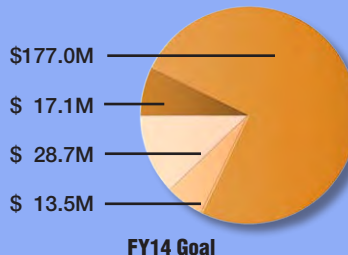


### Reverse Auctions:

- 128 awards, 70 in clothing & textiles.
- Largest dollar savings.
- \$2.1M C&T award for enhanced ballistic inserts.

### Strategic Sourcing:

- Increased manufacturer discounts under National Alliance Pricing Agreement program has generated \$17.6M (subsistence).
- Negotiation savings generated \$10.3M (construction & equipment).



### Value Management:

- Most savings in clothing and textiles due to the break out of sole-sourced items.
- A bag waste kit saved \$1.1M per year, total \$2.2M so far.
- A sole-sourced turned competitive retro lantern kit has saved \$1.2M total for FY12 and FY13.

### Procurement Systems and Process Improvements

- Expanded use of “should cost” assessments (C&T).

# Rightsize Inventory Clean Out the Attic

Story by Sara Moore

**T**he Defense Logistics Agency is using a number of initiatives to responsibly reduce inventory stored in depots across the globe, reducing the agency's footprint and expenses while ensuring military readiness isn't degraded.

Rightsizing inventory is one of the "Big Ideas" launched by DLA Director Navy Vice Adm. Mark Harnitchek in early 2012. Officials expect this to save significant amounts of money, specifically in storage dollars, and give the agency more flexibility in its operations. Disposing of excess stock, shrinking contingency stock, improving forecasting and planning, and reducing infrastructure that houses inventory will all contribute to overall savings.

### Emptying the Attic

As anyone who watches the television show "Hoarders" knows, the first order of business in cleaning out a space is getting rid of excess material, particularly that which hasn't been used in a long time. In DLA's case, the excess material doesn't equate to junk, but simply to material that isn't needed very often or that is beyond the levels demanded by military customers. The short-term goal is to reduce DLA's inventory by \$4 billion by the end of fiscal 2014 while maintaining readiness for military customers, said Barry Christensen, chief of the DLA Logistics Operations' Supply and Demand Planning Branch.

As DLA moves to decrease its inventory, planners in DLA Logistics

Operations are looking at three categories of material: potential reutilization stock, contingency retention stock and economic retention stock, Christensen said.

Potential reutilization stock is an obvious target for disposals, Christensen said, because it is goods that the agency has already identified as excess. Potential reutilization stock is identified through monthly inventory reviews in which the agency looks at current operating requirements and retention limits for the items it manages, he said. Items identified for disposal are sent to DLA Disposition Services for reuse by military or other government customers, or, ultimately, public auction or destruction after having their military capabilities removed.

While Christensen called the disposal of potential reutilization stock a "no-brainer," he said updating the levels of contingency retention stock DLA keeps on hand for the military services is a bit more complicated. This stock is made up of items that the military services have asked the agency to store because of their specialized nature or the strong possibility they will be needed for contingency operations. The services had some preliminary reservations about reducing these levels, but the agency saw a need to reduce the almost \$2 billion worth of contingency retention stock it maintained. Christensen and his team worked closely with counterparts in the military services to reduce those levels by nearly 80 percent.

"What we're doing is challenging the blanket philosophy that said, 'Keep everything,'" Christensen said, noting



Photo Courtesy DLA Distribution

As the Defense Logistics Agency works to rightsize its inventory, it is trying to optimize its storage and warehouse space to reduce infrastructure wherever possible.

A Defense Logistics Agency employee scans an item in a DLA warehouse. Rightsizing the amount of inventory on the shelves will help the agency cut down on storage and maintenance costs while also allowing for reductions in infrastructure.

Photo Courtesy DLA Distribution



that DLA and the services have been working on a long-term inventory improvement plan with the Office of the Secretary of Defense.

“Everybody wants sound readiness; that’s what we’re here for,” he said. “But I think we’ve made good efforts in bringing them visibility of the material that hasn’t been moving and the depth of stock that we store.”

The last category of items the agency is looking to reduce is economic retention stock, which is stock kept because of the economic viability of storing it versus the potential cost to re-purchase it in the future, Christensen said. DLA has updated its economic retention model to better reflect the costs of storage, including maintenance on storage facilities and the long-term cost of keeping infrastructure running, he said. This new model has identified higher storage costs for some items, moving them out of the economic retention category into contingency retention or potential reutilization, where they are considered for disposal.

Throughout all these efforts, DLA is working from a comprehensive inventory management plan from the Defense Department, which the military services are also following, said Joe Rodgers, an operations research analyst in the DLA Logistics Operations Supply and Demand Planning Branch.

Rodgers meets weekly with representatives from DLA’s inventory control points, DLA Distribution, DLA Disposition Services, DLA Operations Research and Resource Analysis, and DLA Information Operations to coordinate inventory reduction efforts and talk about plans and challenges.

“It’s very helpful in terms of planning and identifying any obstacles against that plan and working together as a team to try and work solutions around those obstacles,” Rodgers said. “The thing I

see most is the sharing of knowledge and opportunities across the board from one supply chain to the other. If they were working in a vacuum, they wouldn’t have those opportunities.”

Having reduced its inventory by \$2.2 billion since February 2012, significant progress toward its goal, DLA is a leader in the government when it comes to inventory reduction, Christensen said. Since DLA takes up about half the covered storage-space in government-run depots, the reduction of inventory should lead to a smaller footprint, as long as changes are made to ensure the space doesn’t get filled up again, he said.

### Keeping the Attic Clean

Even the most diligent cleaning efforts are for naught if a room is immediately dirtied or filled, so DLA is accompanying its inventory reduction efforts with major changes in the way it plans for, develops requirements for and contracts items to better manage the overall Defense Department financial risk on items that are difficult to forecast. These efforts include using improved models that better predict what items will be demanded and for what quantities, reducing lead times by using more long-term contracts, and improving flexibility in order quantities and changes.

Just like forecasting the weather, forecasting the amount of items customers will need is not an exact science, but for years DLA has used a system that looked at

order and demand history to predict future needs. The problem with that system was that it was a one-size-fits-all solution, and many items couldn’t be accurately forecasted within it, Christensen said.

Items that see sporadic demand make up a significant portion of DLA’s catalogue, but because these items were statistically non-forecastable the traditional methods led to the wrong quantities being purchased and subsequently stored, increasing DLA’s storage requirements, he said.

A simple method to improve forecasting is to work more closely with customers to identify their needs and future trends. DLA has been improving customer collaboration for several years, Christensen said, but the system still needed a solution for the items that had sporadic high demand. That solution has come in the form of two new requirements models, Peak and NextGen, which

### *DLA's Big Ideas*

*Decrease Direct Material Costs*

*Rightsize Inventory*

*Decrease Operating Costs*

*Improve Customer Service*

*Achieve Audit Readiness*

# Big Ideas: Tracking Progress

were developed under DLA's Logistics Research and Development Program. They are based on advanced algorithms and detailed modeling and aim to better set inventory levels for items that have historically been difficult to forecast.

"The items that typically cause trouble are those items that have infrequent demand or items that have frequent, but erratic demand," said Bob Carroll, chief of the DLA Logistics Operations' Planning Division. "So what do we do up front to make sure we don't have to dispose of stuff? We do a better job of picking the winners and losers. We'll still have some losers, given that we're responsible for managing millions of items, but we do a better job of mitigating both inventory and customer support risk."

Peak and NextGen are two very different, complex models, but their goal is the same: to set an appropriate inventory level for items that do not fit into the traditional forecasting model. Peak's basic process is to find the peak levels of demand for each item over a 20-quarter period and then group the items into cost "buckets" based on those levels and their reorder quantities, Carroll said. The system assigns each bucket a multiplication factor of greater than or less than one and then runs through every possible combination to determine the best trade-off between inventory investment, material availability and workload for acquisition personnel, he said.

NextGen is a much more complicated model that uses a probability of how much stock of a given item will be on hand based on its order frequency and demand quantity, he said. The demand probability is then applied over the item's lead time to determine availability, workload and investment. The NextGen process then calculates the metrics for reorders. This again allows planners to determine the best order quantity based on the balance of availability, investment and workload, Carroll said.

No forecasting model or requirements determination model will ever be perfect,

Carroll said. And often with items ordered infrequently, DLA is faced with two poor choices: buying more than currently needed to get a lower per-unit cost but risking that the item might be stored for a long period of time if demand wanes, or buying a small quantity required for an immediate demand at a higher price and risking having to purchase more if demand spikes. After about six months of use, Peak and NextGen are performing as they were expected to and should start to deliver tangible benefits within the year, he said.

"Whatever we do in supply, we're always a lead time away," he said, referring to the time it takes to put an item under contract and then have the vendor produce and ship it. "You will start seeing benefits along the way, but we should see 70-80 percent of the benefit at 12 months and at 18 months, we should see the majority of the benefit."

Those lead times, referred to as administrative and production lead times, represent another area in which DLA is working to ensure excess material doesn't accumulate. DLA planners have traditionally used a forecasting technique to predict the required lead times for each item, Carroll said, but the same formula was applied to all items, leading to problems with accuracy. In the short term, the agency is refining the current forecasting model to improve lead times, but the ultimate goal is to apply the lessons learned by Peak and NextGen to lead-time forecasting, he said.

A way to combat the problems with lead times is to use more long-term contracts, avoiding the need for frequent contract workloads, Christensen said. Long-term contracts usually have a much shorter administrative lead time, he said, and vendors have a better idea of future needs, leading to better planning. DLA is also looking to improve its agility and flexibility in ordering by improving coverage durations, or the time periods covered by each order, and improving its ability to change or cancel contracts when needed, Christensen said.

## Closing up Shop

Where there are fewer things to store, less storage space is needed, so as DLA rightsizes its inventory, it is also looking for ways to reduce the infrastructure used to store its stock. The push to reduce infrastructure builds on existing initiatives, like DLA Distribution's inventory optimization efforts, to ensure the space being used fits the requirements and is reduced wherever possible.

Reducing warehouse space is a joint effort between DLA Logistics Operations, which develops the overall strategy and helps identify items for disposal; DLA Distribution, which handles the transfer of items to DLA Disposition Services; and DLA Installation Support, which works on vacating and possibly tearing down warehouses as they are emptied, said Lynne Allen, former program manager for infrastructure reduction in DLA Logistics Operations Strategic Programs and Initiatives.

"What we are looking at is working with the customer as we reduce our inventory and move it out of our storage buildings, then we are consolidating what is left to reduce our footprint. We will work with the services then to reuse or demolish the buildings so that we get infrastructure reduction for all of DoD," Allen said.

This effort goes hand-in-hand with Strategic Network Optimization, a DLA-led program that aims to make better use of the Defense Department's distribution network through reconfiguring the supply network, reducing inventory and eliminating excess warehouse capacity.

"What you should end up with are, for DoD, installations that are compact," she said. "You're not going to keep getting rid of buildings forever, but you're going to reduce your infrastructure such that your installation becomes sized to what the true requirement is to support its tenants. Then it turns into a sustainable process that's just reviewing your requirements and reviewing your real estate and seeing what you need." 🍷

# DIRECTOR'S GUIDANCE 2014





# DEFENSE LOGISTICS AGENCY

## Fiscal Year 2014 Director's Guidance



**Mark Harnitchek**

Vice Admiral, USN  
Director, DLA

Team,

Our theme this year is Staying The Course. That makes my guidance to you pretty easy – keep doing what you're doing. You've made great strides in the goals set out in my 2013 Guidance – in fact we've exceeded those goals in several key areas thanks to your focused efforts, hard work and dedication. I've told you nobody knows this stuff better than you do, and you're proving that every day.

This Guidance will give you a quick snapshot of how we're doing with our Big Ideas and a few things we need to focus on in the year ahead. We're maintaining our goals to significantly improve support to our customers while dramatically driving down costs for operations and material. But the targets get more aggressive as we go forward. We've upped 10-in-5 to create even more savings; our new goal is to slash \$13.1 billion in operating and material costs over the next six years. We'll get there by doubling down on the hard work you've done so far. There are more savings out there and I'm depending on you to find them. We're doing great, but we still have a long way to go.

As we face the significant fiscal and strategic challenges ahead, we must remain resolute and continue to lead the way in innovation and transformation. Acting together, with enthusiasm, optimism and focus, we WILL continue to achieve great things. What you do makes a difference so keep charging. I am very proud of you and this great organization!

*"Significantly improve performance  
while dramatically reducing cost"*

## **Staying The Course:**

Our priorities to significantly improve performance while dramatically reducing cost remain the same. These are:

**Decrease Direct Material Costs**

**Decrease Operating Costs**

**Rightsize Inventory**

**Improve Customer Service**

**Achieve Audit Readiness**



*2014 Director's Guidance*



# DEFENSE LOGISTICS AGENCY

Fiscal Year 2014 Director's Guidance

## DECREASE DIRECT MATERIAL COSTS:

### “Be smart buyers of the right stuff”

Reduce material costs to achieve \$13 billion in overall savings in six years through a combination of reverse auctions, commercial-type contract terms, substantial industry partnerships, performance-based logistics and prime vendor contracts, significantly reduced lead times and increasing small-business opportunities.

We've made a big impact here. DLA has substantially increased its reverse auction opportunities, which have led to savings of more than \$1.6 billion over the past year, including \$400 million from three DLA Energy auctions alone. And we're just getting started. The First Destination Transportation and Packaging Initiative is a collaborative, interagency effort that is expected to save DLA hundreds of millions of dollars in the near future. And across the enterprise, we're using strategic sourcing – which includes initiatives like PBLs and prime vendor contracts – to gain more than \$4 billion in savings through 2019. Early results are promising: DLA Troop Support is negotiating better manufacturing discounts and decreased prime vendor distribution fees to save millions of dollars every month – \$6 million to \$7 million a month on our pharmaceutical contracts alone. And this is how we'll continue to find savings – negotiate harder, be aggressive, do more research, work with our partners, and make smart decisions.



*“Significantly improve performance  
while dramatically reducing cost”*

## DECREASE OPERATING COSTS:

### “Improve process and productivity”

Reduce operating costs through a combination of eliminating, consolidating, and co-locating infrastructure, achieving BRAC “Day 3” efficiencies, optimizing the global distribution network, enhancing retail industrial support, incorporating process improvements, Going Green at DLA operating locations.

We’ve achieved significant success with our forward stocking initiative in the CENTCOM AOR. At the 5<sup>th</sup> Fleet, we slashed our logistics response time 81 percent, from 40 days to eight days. We’ve had the same success with casualty reports, significantly reducing them for patrol craft, mine countermeasure ships and ballistic missile defense ships. In fact, there have been no CASREPs against any forward stocked items for the past nine months. And thanks to our focus on Strategic Network Optimization, we’re reducing excess inventory and limiting the number of warehouses we maintain around the globe. This is also allowing us to save money on operating expenses, utilities, maintenance and sustainment. Our Information Operations team is eliminating unnecessary or redundant systems to reduce IT costs. And we’re paying more attention to ensuring we’re maximizing the usable space of containers shipped overseas. While we’re in the early stages of these initiatives, we’re already seeing them pay dividends. Pressing hard on these will result in big savings down the road.



*Give us your*

**E**



*Improve  
Customer  
Service*



*Decrease  
Direct Material  
Costs*

# BIG IDEAS



*Rightsize  
Inventory*



*Decrease  
Operating  
Costs*

*Achieve  
Audit  
Readiness*



# DEFENSE LOGISTICS AGENCY

Fiscal Year 2014 Director's Guidance



## RIGHTSIZE INVENTORY:

### “Clean out the attic and keep it clean”

Rightsize both War Reserves and operational inventory by reviewing and adjusting strategic requirements, leveraging commercial supply chains without redundancy, and improving planning and forecast accuracy.

Our short-term goal is to reduce excess inventory by \$6 billion by the end of 2014 without sacrificing military readiness. We've already reduced inventory by \$2 billion since 2012, including a reduction in contingency stock from \$2 billion to about \$500 million. These kinds of savings wouldn't be possible without a whole agency effort, from DLA team members at our inventory control points to DLA Distribution, DLA Disposition Services and DLA Information Operations. Our military Service partners are important members of this team as well. And we're not just “cleaning the attic,” we're also focusing on the way we plan for, forecast and contract for items to ensure we don't just fill the attic back up again. Reducing inventory also allows us to reduce our logistical footprint – less stock means fewer warehouses, which leads to even greater savings in the years ahead.

*“Significantly improve performance  
while dramatically reducing cost”*

## IMPROVE CUSTOMER SERVICE:

### “Delight our customers”

Improve customer service and measure performance by customer standards by expanding and strengthening customer/supplier collaboration and ensuring excellence in inventory management.

How do we know how well we’re doing? We ask our customers and partners. Earlier this year we surveyed our senior warfighting partners to find out what they thought we were doing well and where they’d like to see us improve. It came as no surprise to me to learn that, overall, they thought we were doing a very good job. They know we understand the mission, they believe we’re responsive and that we deliver on our commitments. These results aren’t talking about me, they’re talking about all of you – the DLA team. We do have areas of concern, however, and we’re aggressively attacking those to ensure we meet the needs of our Service partners and warfighting customers. I need you to be proactive in finding solutions to outstanding issues, improve our procurement responsiveness and award contracts quicker, and to make sure what we do, even the little things, make sense. If things don’t make sense, change them.





# DEFENSE LOGISTICS AGENCY

## Fiscal Year 2014 Director's Guidance

### ACHIEVE AUDIT READINESS:

#### “Prove it”

Demonstrate our commitment to transparency and accountability through our culture of judiciousness, meeting assertion dates, identifying and driving improvement opportunities, and expanding audit readiness beyond process integrity to process excellence.

We are aggressively pursuing audit readiness at DLA. Instead of planning for the 2017 deadline mandated by the Department of Defense, we're targeting the end of fiscal 2015 as our deadline, and we're making steady progress. DLA's Hire-to-Retire program has already achieved assertion, three months earlier than planned. This coming year we're focusing on really proving our numbers, and I need every one of you engaged in this important effort. Understand your processes and the internal controls within them, and make sure the data is accurate and in compliance with the rules. Audit readiness makes us a stronger organization and enhances the trust the public places in us to get things done and done right.

*“Significantly improve performance while dramatically reducing cost”*

## Key Focus Areas for DLA in 2014:

As we begin the new fiscal year, there are three areas I'd like us to pay particular attention to.

### ***Afghanistan: Support the troops in the current fight and pivot to reset, retrograde and transition:***

Stay on task; continue to be at the forefront of support to reset and retrograde. One way in which we add tremendous value to our warfighting partners is our willingness to anticipate, plan and move out. Innovative, proactive approaches will continue to push timely disposal, retrograde and lines of communication usage.

### ***Contingencies and Humanitarian Assistance & Disaster Relief Support:***

Build on the monumental successes of our Hurricane Sandy support. Get ahead of requirements and have the right material positioned with contingency contracts in place to provide immediate support. Responsiveness is the coin of the realm, so act with a sense of urgency. Our fellow citizens and those in need are counting on you.

### ***Industrial & Platform Support:***

Deliver world-class logistics support by leveraging Enterprise Performance Based Logistics and PBL efforts. Optimize Inventory Management and Stock Positioning at Service industrial activities while supporting Strategic Network Optimization, Peak Policy and Next Generation forecasting and inventory rightsizing.

*2014 Director's Guidance*

## DIRECTOR'S 2014 PRINCIPLES

We are living in historic times ... doing things we've never done before ... make some history yourself.

Push for smart things to do ... don't wait for the requirement ... or for folks to ask.

No one knows this stuff better than us ... act like it.

I trust you ... prioritize, do it your own way but get it done or ensure it gets done.

This is your time ... do big things and make it better. If not you, who? If not now, when?

Relationships are key ... build them and use them.

Take care of one another.

Keep promises.



# Navy Vice Adm. Mark Harnitchek

DLA's Director Explains His Five Big Ideas Initiative and Details the Progress the Agency has Accomplished Toward Those Goals.

***You've been here almost two years. What did you think of DLA when you were coming to the agency?***

I've been in the Navy 36 years and have been a customer of DLA my entire life. So if you're a logistician, everybody knows what DLA is, but you really don't have a sense of how big it is until you're

here. So I guess what surprised me the most given my 36 years as a customer was just the size of DLA. I mean, in my last big Navy job, I had a budget of about \$6 billion. Here at DLA, it's upwards of \$45 billion. So the scale is huge, and our presence around the world is fairly significant. So, scope and size were probably the biggest surprises.

***How do you think we've evolved since then?***

I really don't believe there's been all that much evolution. DLA is a high-powered, high-performance organization. We're big, we're powerful, and when we need to be, really fast. That capability and capacity has always been there – so sometimes it's simply a question of using all our tools or attributes when we need to. Depending on the situation or problem set, you fully employ all our logistics power to achieve whatever logistics or operational outcome your customers require. And that's DLA -- just a great network of money, infrastructure, inventory and most importantly people that make miraculous things happen.

***Not too long after you took over, you announced your intention for the agency to save \$10 billion in five years. That has evolved since then. How has that initiative changed, and where is it now?***

It is actually \$13 billion in six years, so we added another year. And it's going real well. The various [headquarters organizations] and

Courtesy Photo



DLA Director Navy Vice Adm. Mark Harnitchek asks questions about Army uniform production processes during a September visit to a textile vendor in New Jersey.

# A Conversation with . . .

each of the [primary-level field activity] commanders have been assigned their targets, and we track those targets right down to the last penny. Because DLA is largely a big acquisition machine, most of these savings will come from the acquisition side. So if your target's 10 percent, that means every contract that you write has to save 10 percent. And if the contract you write today only saves eight percent, that means the next contract needs to save 12. So it's tracking. Mr. Poleo is putting all that money in the bank, and that money is part of the program of record now.

Initiatives like reverse auctions are already saving big money. We've only been working those for the past 12 to 16 months, and we've held over 5,000 auctions and saved – this is no-kidding savings – over \$1.6 billion. That's a lot of money. So I think we're doing very well. I'm just tickled with the progress and everybody's level of excitement.

***All of DLA is very focused on your five "Big Ideas." How did you come up with those initiatives? What made you settle on those five?***

I think we started with three to five. And that was deliberate, as I wanted to stay focused and for DLA to stay focused on only a few things. So in my experience, fewer and simpler is better – especially when there are 27,000 people that all need to have the same focus. So since I've gotten here, my guidance here has never been more than just a few pages, and prominently featured are the five things.

Reduce direct material costs; because we are a huge buyer of material. All those supply chains – food, fuel, medicine, repair parts, construction equipment, construction supplies, uniforms – we buy things. So if you want to put money back in our customers' pockets, you have to get a better deal buying the

stuff in those supply chains.

The other big lever is decreasing operating costs. We have two big cost centers here. One of them is the cost of the things that we buy, and then the rest of it is the cost of all of us. It's me, it's you, it's the building, it's the computers, it's the warehouses. It's all the stuff that makes DLA what it is today. And we're going to take some money out of that as well. So that's the second one.

Another big one was inventory. We spent a lot of money buying and storing inventory, and we just need to do a better job at that. Every bit

DLA is a \$46 billion enterprise, and there's no one like us, not only in our military but anywhere in the world. We're going to get a little slimmer at the HQ, but we're still a \$600 billion department.

of inventory that we buy that we don't sell is a financial drag on the government, the department, DLA and our service customers. So we want to judiciously spend this money like it's our own, and we don't want to keep more inventory than we need – much like you wouldn't keep more milk in your refrigerator than you could drink, right? The same sort of principle applies.

Improve customer service; this is what we're all about, so we're out there talking to the combatant commanders, talking to our service customers [about], "What's the operational outcome you're looking for?" We agree to that outcome, and then we figure out how to deliver that outcome at the least cost to the taxpayer.

The final one is achieving

audit readiness. That's just our ability to be good stewards of all that money – that \$46 billion that the taxpayers have entrusted to us. And being audit ready means we can account for the money, we know where it goes, we can explain to your grandmother that I spent a dollar [and] we got a dollar's worth of product, and here's all the documentation that proves it.

Again, five things: They're all pretty easy to understand and to remember. So I want everybody to understand what they're supposed to do, and then everybody needs to go do it.

***You mentioned reverse auctions as a major success. Are there any other specific programs that come to mind as big successes so far?***

I think our focus on talking to our industry partners has been a big one: our Captains of Industry initiative. Our relationship with industry takes place at two levels. It takes place with a contract. That's the agreement in writing that says what it is that we will do and what, in return, the contractor will do.

The relationship needs to take place at the strategic level as well. That's between me, our commanders and the folks that we do business with. We decide what it is we're going to do, and then the contracting folks figure out how to contractually do that. And who better to share Big Ideas with than our partners in industry? If they know where we want to take the enterprise, [which] is largely based on acquisition, who better to talk to than those folks? They understand this isn't an attack on profit; it's an attack on cost. So who better to help us attack those costs than the folks in private industry? We're getting a lot of great ideas from them, and it's all things, big and small.

There are lots of initiatives: contracting, internal tweaks to

our inventory models, an effort to get out of old buildings, strategic network optimization. So, it's a host of issues, and there's not one big \$10 billion baseball bat that's going to save it all in one fell swoop. It's a hundred thousand here, a million there, and pretty soon, you're talking about real money.

***Immediately after you came in, it became apparent that employee communications were very important to you. You've instituted things like the Ask a Leader website and the Director's Blog. Why is that so important to you, and how do you think it's helped the agency since we instituted those things?***

Well, a lot of people have really good ideas, and in the 21st century, I think we ought to use whatever technology we have to ensure that communications doesn't follow the traditional military model where the private first class needs to talk to his platoon sergeant, who talks to the company first sergeant, who talks to the platoon leader, who talks to the captain. By the time it makes it all the way to my level, either the message is all wrong or I just never get it.

Things like the blog and Ask a Leader are powerful tools to communicate up, down and across the organization when people have good ideas, and a lot of good ideas have sprung from that blog. I've seen other commanders do that to great success. Plus, it just gives you a sense, as the [director] here, of what's going on on the deck plates and how people really feel about things.

***Something employees have responded well to since you've come in is your commitment to fitness and wellness: three hours of fitness time during the work week, the Healthy Base Initiative and the athletic***

***competitions between military members. Why is that something that's so important to you?***

When you're in the military, fitness is a big part of your military duties and you're expected to stay physically fit all the time. And being fit has all sorts of benefits – you think more clearly, you're generally happier, you're less tired and generally more ready to respond to whatever the call is. I find the same applies to the civilian workforce, and I'm happy to dedicate time for DLA civil servants to work out.

***Where do you see DLA going in the future, both during the rest of your tenure and beyond?***

William Shakespeare said in one of his plays, "What's past is prologue." So when I look at DLA over the long haul of my career, we started out as a wholesaler. We would buy things, put them in a big warehouse, and people would requisition them. That's the DLA of I remember as a young officer. Today, we're a much bigger organization with logistics responsibilities far beyond just wholesale. We go all the way down, to coin a phrase, from factory to foxhole. So if you go out to the "foxholes" these days, you're probably going to see a DLA person. If you go to service industrial sites, you find DLA runs those. DLA buys depot-level repairables. DLA does tactical battlefield distribution of food and fuel.

So looking to the future, I would expect to see DLA's mission to expand even further. I don't know what it's going to look like. But if "past is prologue," I would expect DLA to be much bigger in terms of scope and mission.

***How does that gel with the recent guidance from the secretary of defense that headquarters agencies need to reduce their size? Do you have a message to employees as we're looking at this?***

If you're worried about your future as a public servant and you're in the logistics business, this is where you want to be. DLA is a \$46 billion enterprise, and there's no one like us, not only in our military but anywhere in the world. We're going to get a little slimmer at the HQ, but we're still a \$600 billion department.

So my message is don't worry too much about it, keep working, keep working out, keep making smart decisions, keep making great things happen, and everything will come out all right.

***Anything else you'd like to talk about?***

Just what a joy and an honor it is to direct this big organization. We are doing great things. We're doing great things in Afghanistan. We're doing great things all over the world, and I mean really great things, things that matter to our customers. We're doing them while driving cost out all the time, and that's really the name of the game.

I want everybody to feel really good about their service to our great nation. You know there's a reason they call it public service. It's because we all serve, military and civilians. We don't have civilian employees; we have public servants. You serve because you think it's important. You don't do it to become rich; you do it because you know you want to serve a greater good, and that's exactly what you're doing.

So, thanks to everybody for all you're doing. I'm looking forward to what the future holds; no matter what it holds, I know DLA's going to do great things. 🍌

## QUOTABLES

“I wanted to take a moment to tell you what you mean to me – and to our country. That begins by saying thank you for the work you do every day – work that is vitally important to our national security and to American families’ economic security.”

— President Barack Obama, in a message to the Defense Department workforce about the government shutdown in October.

“This award is earned with a team – a team of our finest Marines, Army, Air Force, Navy and our Afghan partners standing side by side. Now that team includes Gold Star families who lost their fathers, sons and husbands that day. This medal represents them – it represents us.”

— Former Army Capt. William D. Swenson, in a White House ceremony where he was awarded the Medal of Honor.

“For DLA to have such a presence and such a capability to be able to compete and win against 665 other fire departments, ... that’s a lot to be proud of. And that shows a tremendous dedication and preparedness on the parts of those who are involved in it.”

— DLA Chief of Staff Renee Roman, on Defense Supply Center Richmond, Va.’s Fire Department being named the Defense Department’s top small fire department for 2012.

“Afghanistan is one of the most difficult environments in the world to support logistically. We not only need to ensure continued support during this transition, but ensure it is seamless to the customer.”

— DLA Troop Support Subsistence Deputy Director Tom Daley, on the transition to a new subsistence prime vendor for forces in Afghanistan.

“Today, thousands of federal employees are heading back to work. As for DLA, thanks to savvy financial management, we remained open and operating. That means the critical support you provide continued uninterrupted.”

— DLA Director Navy Vice Adm. Mark Harnitchek, on the end of the federal government’s October shutdown.

## BY THE NUMBERS

### **\$13 BILLION:**

The amount DLA Director Navy Vice Adm. Mark Harnitchek wants the agency to save over six years, about equal to the cost of the USS Gerald R. Ford, the Navy’s newest aircraft carrier.

### **30,225 GALLONS:**

The amount of jet fuel DLA Energy Pacific supplied for Exercise Vigilant Eagle 2013, a combined effort between U.S., Canadian and Russian forces, slightly more than the United States’ annual per capita gasoline usage for 27 people.

### **5,500 POUNDS:**

The weight of 800 sheets of copper provided by DLA Troop Support Construction and Equipment to protect the hull of the USS Constitution, the world’s oldest commissioned warship afloat, slightly less than the weight of 80,000 copper pennies.

# Decrease Operating Costs Improve Process and Productivity

Story by Beth Reece

**D**efense Department officials expect the Defense Logistics Agency to save \$2 billion in operating costs by fiscal 2018, but DLA Director Navy Vice Adm. Mark Harnitchek has another plan. Instead, the agency will double its savings to \$4.2 billion, then add another \$597 million in savings in fiscal 2019.

The savings will come from a variety of initiatives underway throughout DLA's headquarters and primary-level field activities. One major contribution will be the result of infrastructure reductions, especially those happening through the Strategic Network Optimization initiative, which will reduce excess inventories and limit the number of warehouses DLA maintains in almost 30 countries.

"As we shrink our warehouse footprint, we're able to reduce costs associated with base operating support services, as well as costs toward sustainment, restoration and modernization," said Rodney Wyche, chief of the Strategic Infrastructure Planning Division for DLA Installation Support.

Fewer buildings means less money

spent on things like utilities, grounds maintenance, building upkeep and garbage collection, all costs that add up over time, he added.

The facilities DLA vacates will be returned to the host installations. Some installations host more than one DLA organization, but most real estate agreements make it difficult to transfer space between DLA activities because each has a separate agreement.

The opportunity to transfer space would allow DLA to make better use of space and increase efficiency at each location.

"When DLA cuts an agreement with installations in the future, we'll work to make them enterprisewide in case there's a need for space at the same installation by another part of the agency," Wyche said.

The agency is also working with local installation officials to determine if a building it vacates should be demolished. "Vice Adm. Harnitchek has told us that when we get out of these warehouses, if they're excess to DoD needs, instead of just letting them sit there so somebody else can eventually fill them back up with stuff

again, let's try to encourage the services to demolish the facility, which is a further savings to DoD," Wyche said.

At facilities throughout DLA, employees are being asked to personally help lower the cost of daily operations by reducing energy use by 30 percent by 2015. Employees may think turning off lights won't lead to significant savings, but every measure taken counts, said Don Juhasz, chief of energy resource management at DLA Headquarters.

"The truth is that any energy bill that we pay monthly, whether in your homes or that we pay as a government agency, is made up of small amounts that add up from both the amount of time devices are

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## *DLA's Big Ideas*

*Decrease Direct Material Costs*

*Rightsize Inventory*

*Decrease Operating Costs*

*Improve Customer Service*

*Achieve Audit Readiness*

# Big Ideas: Tracking Progress

operated or the sheer number of devices left on," he added.

Additional savings will come from changes in information technology. DLA Logistics Information Service is identifying redundant and unnecessary systems it can retire, such as Auto Agent, a self-help tool that was previously used for placing, tracking and modifying requisitions. Users have been trained to perform those functions in DoD EMALL, so the system is no longer needed, said Bob Foster, deputy director of DLA Information Operation's Financial Support Directorate.

DLA is also working with the Defense Information Systems Agency to reduce the amount the agency spends on such services as server and mainframe hosting, telecommunications and network services.

"Our strategy for success is simple: Avoid reducing services to our customers, but become more efficient in how we provide those services," Foster added.

The two agencies are working to migrate DLA's email system to DISA's Defense Enterprise Email, which provides secure access from any place and reduces administration costs.

Another way DLA expects to significantly reduce operating costs is by maximizing the usable space of containers shipped overseas, said Joy Carter, chief of the Transportation Policy Branch in DLA Logistics Operations.

Shipping containers quickly to meet delivery dates sometimes resulted in partially full containers, adding to overall transportation costs. Ensuring containers are more completely filled results in fewer containers shipped overall, Carter explained.

The agency expects to fill containers it ships overseas at least 85 percent full in either weight or cubic capacity containers and is using larger containers to take advantage of per-container shipping

*"Our strategy for success is simple: Avoid reducing services to our customers, but become more efficient in how we provide those services."*

*— Bob Foster*

costs, Carter said. She noted that 20-foot and 40-foot containers are similar in cost to ship.

"It makes sense to use more 40-foot containers, again resulting in fewer containers shipped overall and additional cost savings in the process," she said.

However, she added, customers' needs will always be the determining factor for how items are shipped.

"There will be times when it's necessary to ship containers that aren't maxed out. We won't hold cargo just for the sake of saving transportation costs if it means missing the required delivery date," she said.

The agency will also decrease costs by reducing the amount of items that end up in litigation throughout distribution depots. Material is placed in litigation, or considered "frustrated," for several reasons, including improper packaging or labeling, missing inspection signatures or paperwork, incorrect documents, quantity disparities between the invoice and the actual shipment, or material that is damaged or noncompliant with shelf-life requirements.

"We're working with DLA Distribution and DLA Land and Maritime to ensure vendors understand our procedures. In some cases, vendors are repeat offenders for things like improperly marked labels, but after we show them how to do it correctly, there's no longer a problem," Carter added. 🌟

DLA expects to significantly reduce operating costs by maximizing usable space of containers shipped overseas.



Beth Reese

# Improve Customer Service Delight Our Customers

Story by Beth Reece

**T**he Defense Logistics Agency doesn't just assume it knows what military members like or don't like about its services. In early 2013, the agency surveyed senior-level leaders who routinely interact with DLA to see where customers wanted improvements.

DLA Troop Support, DLA Land and Maritime, and DLA Energy earned an A+, and overall satisfaction with DLA was rated "very good." Survey results also indicated that customers believe DLA understands the mission, is responsive, and delivers on commitments. Some respondents were full of praise for DLA's commitment to meeting their service's needs; others said they wanted the agency to become more responsive.

The most glaring aspect of the survey,

however, was the contrast in opinions from the services, said Air Force Lt. Col. Scott Hopper. As deputy national account manager for the Air Force, Hopper helps ensure DLA meets his service's logistics needs.

"The Army, Navy and Marines all saw customer satisfaction results between 71 and 79 percent, while the Air Force came in at 46 percent," he said.

Hopper's team and those dedicated to the Army, Marine Corps and Navy waded through 242 survey responses and have been working since March with DLA field activity representatives to improve support in three areas: increase communication of DLA's capabilities, increase procurement responsiveness, and proactively engage customers to offer targeted solutions.

More than half of survey respondents

said they consider DLA to be proactive in determining how to meet customers' needs. Of those who disagreed, 37 percent were from the Navy; 34 percent, Air Force; 15 percent, Marines; and 10 percent, Army.

"Warfighting isn't something you want to be just 50 percent good at, so we need to be more proactive about knowing what the services need and know how our capabilities can meet those needs in advance," Hopper said.

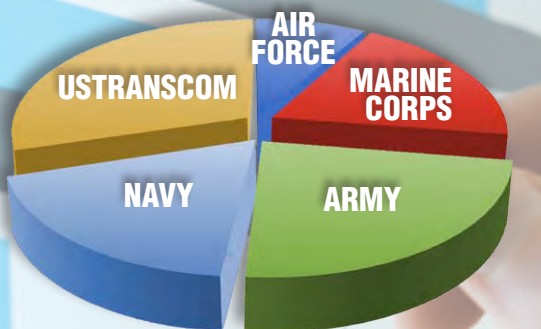
Coming up with proactive solutions is one of the main goals of DLA's national account managers, he added.

"Part of my job as the Air Force NAM, for example, is to know what's going on in the Air Force today and what's being planned. By knowing the Air Force might put the V-22 Osprey in Italy, I can start figuring out now where the repair parts are positioned and whether we'll need to make adjustments to meet maintenance needs in the future," Hopper continued.

Several respondents said having DLA liaisons present during the early stages of planning led to better outcomes and solutions that worked for both the service and DLA, so the agency is working with senior military logistics leaders to ensure DLA representatives are involved in

## SATISFACTION RESULTS BY SERVICE/AGENCY

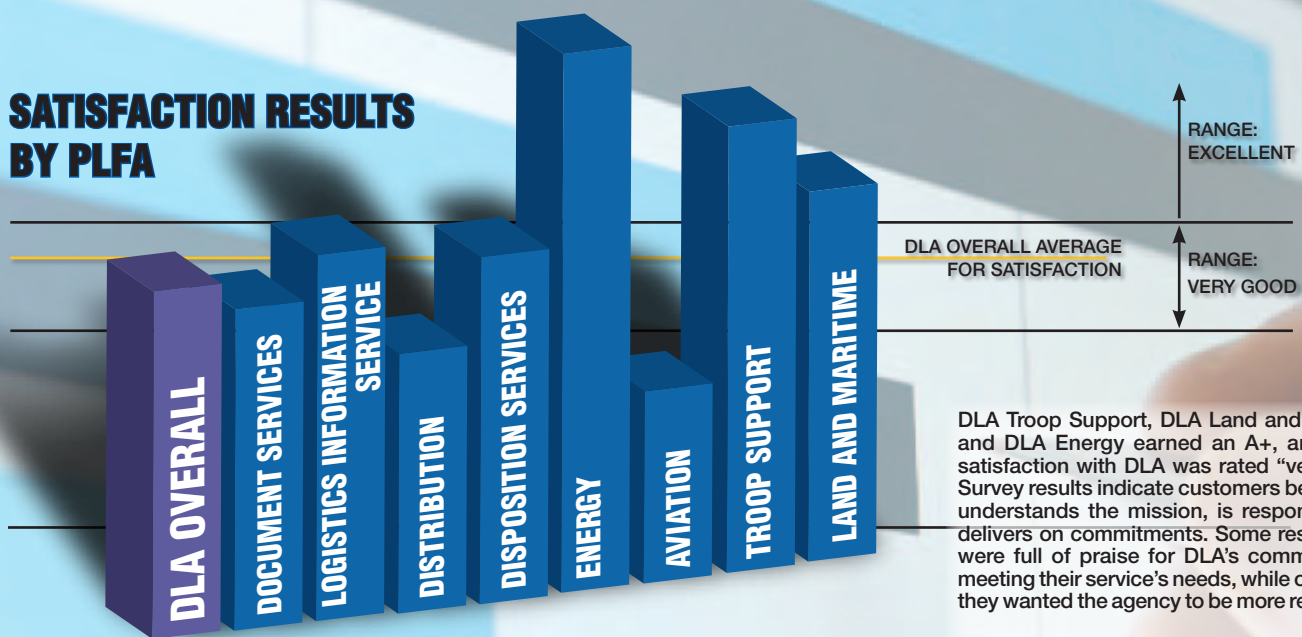
Army, Navy and Marine satisfaction surveys show a satisfaction rate that stands between 71 and 79 percent, with the Air Force results at 46 percent. DLA and Air Force representatives are working to improve support by increasing communications and procurement responsiveness and engage customers to offer targeted solutions.



## DLA's Big Ideas

- Decrease Direct Material Costs
- Rightsize Inventory
- Decrease Operating Costs
- **Improve Customer Service**
- Achieve Audit Readiness

## SATISFACTION RESULTS BY PLFA



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planning efforts at the appropriate levels.

Members of all the services said DLA also needs to improve procurement responsiveness.

“One of the common themes we hear is that it takes us too long to award contracts. Our commitment is to try to save about 65 percent of the time we now spend,” DLA Director Navy Vice Adm. Mark Harnitchek said during a meeting with industrial representatives in September.

In response to Air Force respondents’ concerns about the availability of aircraft parts for depot maintenance, DLA Aviation created teams that focus on procuring specific items, such as aircraft engines and armament parts, said Paul Hughes, deputy director of customer operations at DLA Aviation.

“We’re working with the Air Force to try and get them the parts they ask for in two days or less 90 percent of the time. If we’re able to do that, then they can fine-tune their production processes and eliminate bottlenecks to increase their throughput rather than have mechanics sitting around idle because they don’t have the necessary parts on hand,” he said.

It will also enable the Air Force’s three industrial complexes to become more efficient, Hughes added.

“When we support them with the products they need, they’re able to repair equipment and sell it back to their customers on schedule,” he continued.

The most commented on items by Navy respondents were forward stocking

and the Economic Quantity Model, through which DLA stores the heaviest, bulkiest material close to overseas customers because it’s cheaper to transport when needed quickly.

“Unfortunately for the Navy, a lot of their material is lighter. While EQM works out well, there is some tweaking that needs to be done,” said Navy Capt. Bernard Knox, DLA’s deputy national account manager for the Navy.

Knox and his team have discussed forward stocking with Navy customers and made some changes since the survey.

“We went directly back to those who expressed concerns about stocking to get their perspective. To do a survey without going back to the customer and getting people’s thoughts, ... I don’t know what good that does, so we’ve spent a lot of time getting into a dialog with our customers to better understand how we can meet their needs,” he said.

While 66 percent of respondents agreed that DLA does well in communicating its capabilities and providing solutions, 32.7 percent said the agency doesn’t communicate enough, and 1.3 percent said it communicates too much.

“We’re not at risk of overloading our senior partners as we work to improve communication, so that gives us a full-steam-ahead mindset in telling our story so customers better understand our capabilities,” Hopper said.

The agency will help customers become more aware of the supplies

and services it offers through regular customer site visits, informal surveys that determine what capabilities customers are least familiar with, reinvigorated customer outreach at formal schools, and more. DLA Troop Support will also boost customers’ awareness by presenting itself as a single organization rather than five separate supply chains.

“We’ve realized our customers see us as segmented, not as a place for one-stop shopping for a variety of commodities. Those who buy from our Construction and Equipment Directorate may not think they need clothing and textiles, but we want them to know they can get it from us if the need ever does come up,” said Evelyn Smith, a customer outreach analyst at DLA Troop Support.

DLA is scheduled to survey senior military leaders again in 2015, but plans to reevaluate Air Force concerns in spring 2014. Input provided during the agency’s annual meeting with the Air Force in August revealed that customer views are already improving, Hopper said.

“Our Air Force customers told us they were thrilled with everything we’re bringing to the table and with our efforts to improve procurement processes,” he added. “It’s all about coming up with proactive solutions. And while that’s the primary role of the service teams here at DLA Headquarters, people throughout the agency are making a difference in how we provide customer support to warfighters.” 🌟

# Achieve Audit Readiness Prove It!

Story by Amanda Neumann



A Navy machinist conducts a tag-out audit on a hydraulic fluid valve in the machinery repair shop of the aircraft carrier USS Ronald Reagan. Audit readiness ensures that items in an agency's inventory are accounted for, recorded properly and signed off on correctly.

**W**ith an aggressive goal to be fully audit-ready by fiscal 2015, two years ahead of the fiscal 2017 deadline for the Defense Department, the Defense Logistics Agency faces challenges.

"The fact is, [the Defense Department] has long faced a challenge of being fully audit ready," DLA Director Navy Vice Adm. Mark Harnitchek said in a video released earlier this year. "How do we do that? We do that by understanding our processes, the internal controls within them, and making sure that the resulting data is accurate and in compliance with the rules. It will increase the public's confidence in our financial status and enhance their trust that we have good controls to mitigate risk and keep our data safe."

Implemented as one of Harnitchek's five "Big Ideas" initiatives in March 2012, audit readiness pushes the agency out of its comfort zone, said Simone Reba, deputy director of DLA Finance.

"With the Big Ideas, Adm. Harnitchek was looking to have us stretch out of our comfort zones and think about things in a different way, in a big way, and push ourselves to do something hard for the benefit of the warfighter," she said. "And audit readiness, although it's not the first thing that comes to mind for most people, it actually does that. It's hard, but

Navy Petty Officer 3rd Class Shawn J. Stewart

## *DLA's Big Ideas*

*Decrease Direct Material Costs*

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# Big Ideas: Tracking Progress

it's something that's worthwhile, and it's going to make us better in the long run."

Often referred to as a way to maintain stewardship of taxpayers' dollars, DLA's audit readiness goal is to obtain and sustain an unqualified, or "clean," audit opinion on its financial statements. Audit readiness assertions each mark a milestone in the agency's efforts to make entire processes, controls or systems audit ready, inching the agency closer to a full-scale audit, Reba said.

"We've done really well," she said, noting the first assertion this year was in "Hire-to-Retire," for DLA's hiring and retirement processes.

"[DLA Human Resources Director] Brad Bunn and his team actually went faster than the planned deadline," Reba said. "They were supposed to assert in September and actually asserted in June."

With efforts progressing at a rapid pace, several milestones have already been met in 2012 and 2013, but several remain. The latest assertions, due to be met by the end of the year, include "Acquire-to-Retire's General Equipment and Real Property," the inventory of equipment greater than \$100,000 on DLA's host sites; "Environmental Liabilities Management," the cost to clean

up environmental incidents or spills; and the assertion of several DoD systems, including the Enterprise Business System, DLA's tracking software.

With more than 300 DLA personnel providing full-time support to the audit readiness initiative, furloughs, condensed timeframes and shifting priorities have created several hurdles, Reba said.

"I would hate to say the furloughs had no impact, because they did, but we really prioritized and looked to see what was less critical and moved some of those things out to the right," she said. "But it won't affect the overall end dates. All of those are still on track."

As the agency identifies and tests its internal controls to ensure it has an adequate system of checks and balances, team members have learned new things along the way, Reba said.

"We get a lot of discovery as we go through this," she said. "Basically, we're doing the exact same things the auditor would do, which is check our processes, see if the internal controls in the processes are working the way we think they're working, and trace the numbers back from the financials to see if we can find all the supporting documents. It's

been a learning experience, but that's what audit readiness is all about. It's us finding our own problems so that we can fix them before the independent person comes in. So it's fine that we're finding problems; that's what we expected."

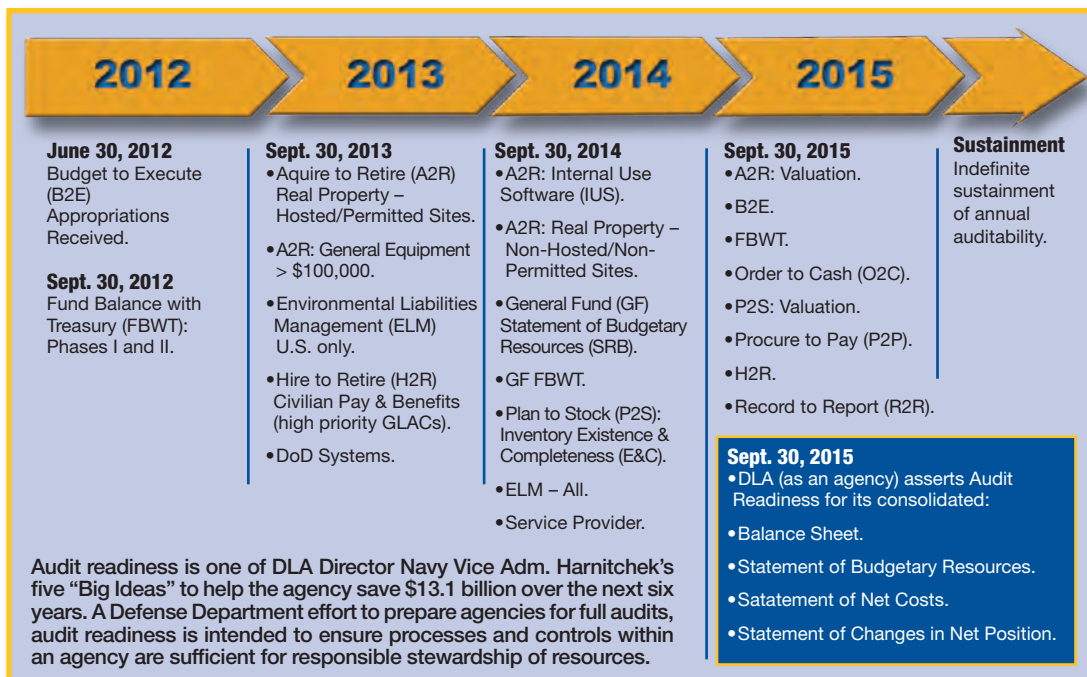
By approaching an audit the same way an auditor would, the team has made the agency reevaluate itself to see what needs improvement, Reba said.

"What we're finding now is we had policies and processes, but because we're so busy working on our operational issues, we didn't always necessarily follow them," she said. "We weren't storing things in certain places, so it was hard to find our supporting documentation. Our internal controls weren't really working the way we thought. So because we had to shine a light back on some of these processes, we found that they had problems and maybe we really should have taken extra time to follow up. We've just been so busy putting out fires associated with the various conflicts, this compliance piece took a backseat. But with audit readiness, it can't."

While conducting tests, the audit readiness team found several deviations from standard processes within DLA,

namely within EBS. These variations created costs and inefficiencies within the agency, Reba said.

"Even though we went to EBS for the majority of our organizations, you would have thought that would make us standardize our processes, but it didn't," she said. "Over time, we've made them all unique. But can we really afford to do it all differently? Because with each unique process, there's also a unique set of training, documentation, updates and a different way to manage it. And all that has costs. The standard process costs this much, so if we have this





Filing documents in the correct location, and being able to find them later, is an essential part of audit readiness.

other process, there's an extra set of costs. If we can get it back into the standard, then we can actually reduce costs."

DLA's systems, most of which will be asserted as audit ready by 2014, are also proving challenging due to access concerns, Reba said.

"We could be doing everything perfectly manually, but if the system is not controlled well, someone can go in and make an adjustment to a number," she said. "Then [the auditor] loses confidence that, regardless of what we prove externally, those systems work. From a control perspective, I can't guarantee they can't [make changes] until I take [that access] away or I have a really good process on the back end to make sure that if they change something, I can prove it was good. Then the auditors don't have to worry about what the systems are doing, they just have to look at what the people are doing since the systems do the same thing every time."

In addition to fixing processes, internal controls and systems, DLA is also targeting its relationships with service providers and receivers, Reba said.

"As far as what we have to fix, we have identified what we consider our big rocks,

and we brief those to the director every month," she said. "For example, one of our biggest rocks is material receipting, where we send things directly to the customer. They need to give us their supporting information, their receipts, or we don't know if they got the right thing or if we billed them correctly or if we're going to pay the vendor correctly. And we can't prove they got it. That's probably our No. 1 hurdle."

With an average of more than 99,000 orders per day, DLA is on track to lose \$1.2 billion worth of inventory while gaining about \$800 million worth this year alone, Reba said. Processing too many adjustments in the system can make the agency look bad to auditors, she added.

"When you net them, it's only \$400 million; it's not a big deal for everything that we do every year," she said. "But when you look at the pieces, the auditor would wave a big red flag and say, 'Whoa, what's going on here? Why are you losing \$400 million and then finding \$800 million? What's going on?' To them, they'll say it's not very well controlled. So we have to prove to them that when we lose it and find it, we can justify why that happened. And that means showing them the evidence."

Long-term strategies, including a central repository for storing documents,

will help with gathering information in one place, Reba said.

"From a department perspective, finding those documents is the No. 1 problem," she said. "Most of our other problems are handoffs, either between people or between the systems. If we can't trace those handoffs, or it doesn't look like they made it correctly, then the auditor will say the numbers aren't correct."

In addition to being able to find and retrieve documents, ensuring they are accurate is another issue. Establishing standard operating procedures can better guarantee that documents have the information they require.

"If I find it and half the fields are blank, or nobody signed it, then [auditors] don't think you have a good control," Reba said. "Our test results thus far indicate we can't find the documents or when we do eventually find them, they're not filled out accurately. That's part of the reason why we're doing the [standard operating procedures] exercise; to make sure everyone understands what types of things we need to keep, what does 'good' look like, and where to store it."

Establishing SOPs across the agency will ensure employees are trained to the same standards and ensure all processes are documented, Reba said.

"We found that people really didn't

# Big Ideas: Tracking Progress

have their processes documented,” she said. “Part of this exercise is to make sure we have those end-to-end processes that explain where the handoffs are: what do I do with it; who do I give it to; who has to approve it? After we have those SOPs written, we’ll put them into formal training so when new people come in, they actually have something that tells them how to do DLA’s job.”

Although the SOPs will provide a new level of knowledge management, supervisors are the first lines of defense in ensuring employees keep accurate records, Reba said.

“Most people know the basic stuff they have to do for a job, but when I have 10 tasks to do that day and I can only get eight done, it’s the audit readiness type of things that usually take a backseat,” she said. “We need to have supervisors actually following up and making sure that people are doing those, which is not always happening. If you don’t have a supervisor checking every once in a while and saying, ‘Are you signing those documents; are you filling out the form the right way; can I find these forms when I look for them?’ then chances are it’s going to continue to be overlooked.”

Reba said misconceptions about DLA’s audit readiness efforts abound. She hopes to address those issues by educating the workforce and exposing employees to the process.

“I still occasionally hear, and it disheartens me, that people think this is just a financial exercise, that it doesn’t apply to them,” she said. “And if you can’t change that culture through training or some other mechanism and make them understand how they personally affect it, then it’s like having 27,000 people in a rowboat, and only three or four people are rowing. The rest are sinking. That’s a big challenge.”

Another misconception DLA’s workforce has to overcome is the mindset that audit readiness isn’t related to the agency’s core mission, Reba said.

“Operationally, we get people what

they need most of the time. The perception is, ‘Why do we have to do this compliance stuff when the warfighter is pretty much happy and we have material availability in the [90th percentile]?’” she said. “That’s true, but if we had a better handle on our controls and processes, we’d actually support them better. If I have better control, I’m going to get the warfighter something better or I’m not going to tell him I have something when I don’t.”

As the agency looks ahead to next year’s in-depth testing, a method that requires auditors to look at DLA’s numbers and trace the documents backwards, additional problems might be found, Reba said.

“Next year it’s going to get harder, because we’re going to really start proving the numbers,” she said. “If there were 1,000 invoices, of those invoices, can I find the receipts that said I got it? Then can I go back and find the purchase order? Does it look like all three of those things match? Did the right person approve it? They’re going to be doing that across all the different sites on multiple processes. That’s where we’re really going to find where we have our biggest problems.”

For DLA, the hardest part of audit readiness still lies ahead: the full-scale audit in 2015, Reba said.

“First-year audits are really hard,” she said. “They ask for a lot of information because you’ve never been audited before. The first audit will probably take more than a year just because they’ll dig deeper and look at more things. After the auditor asks for our documentation, they’ll develop their audit plan and go out to check our facts, prove our numbers. After nine months, they’ll conclude their field work, and then in about three months, they give us the report. Then we’ll have to fix whatever they find, and they’ll be ready to start the next year’s audit.”

Although DLA officials may think the agency is ready to pass an audit, there will always be adjustments, Reba said.

“One thing I’ve learned over this

process is that every auditor sees things a little bit differently; it’s not completely black and white,” she said. “So even though we think we have it all covered, there will still be a decent amount of defending what we do as well as proving it, and there may still be a difference of opinion of whether we proved it or not. More than likely, because of the nature of auditing, there will still be things they find.”

With significant progress in the past year, DLA’s efforts haven’t gone unnoticed. In an August 2013 report to Congress, the Government Accountability Office named the Navy and DLA as two Defense Department components whose actions could serve as a starting point for improving DoD’s risk management implementation.

For DLA, being ahead of the rest of the DoD will actually help the other components get audit ready, Reba said.

“If this was a race and it was 100 yards, we’re still probably at the 35-yard line toward our fiscal year 2015 completely audit ready target. By next year, we’ll be at the 100 yard line to prove to the military services that the things we do for them are audit ready,” Reba said. “As a service provider, it’s important that we’re ahead of the pack because the services rely on us to give them good data so that their own data is good. The fact that we’re out ahead is going to help the rest of the department get there. So when the services assert, if we can prove to them our numbers are good, then they don’t have to worry about us and they’ll be able to focus on their piece.”

Reba said she is confident the agency can progress to an auditable state once all the assertions are in place.

“With successes, you have to take them in little chunks,” she said. “The way [audit readiness is] described makes my head hurt, it’s so big. But as Adm. Harnitchek always says, nobody does it like DLA, and he’s right. In this last year, we’ve done more than the previous five years. Once we have the infrastructure in place, people will get it.” 🌟

# What's Your Big Idea?

Story by Jacob Boyer

In an agency of more than 27,000 employees who manage nine supply chains, disposition services for the entire Defense Department, the United States' stockpile of strategic materials and more, communication can be challenging. It's important for DLA team members to be able to collaborate on ways to meet agency Director Navy Vice Adm. Mark Harnitchek's goals. A new website on DLA's intranet tied to Harnitchek's "Big Ideas" aims to increase that collaboration, whether its from a depot to the agency's upper echelons or across field activities.

"We want to empower people at the floor level to share their ideas for creativity and innovation. Not every idea will produce the big-time results we're looking for, and some will only be appropriate for local levels, but I know there are some diamonds out there that could have a great impact across DLA," DLA Human Resources Director Brad Bunn said prior to the site's launch.

The website includes a variety of tools to help employees refine and submit ideas that can help contribute to the Big Ideas, which are the driving force behind DLA's effort to save \$13 billion over six years.

Website users can submit ideas they have to help the agency save money and improve its processes, said Stacey Salo, director of DLA Human Resources Policy. Once an idea is submitted, it is forwarded to the appropriate Big Idea's functional group leader. There is one functional group for each of the Big Ideas.

"They're responsible for posting responses," said Patricia McMinn, a human resources specialist in DLA Human

Resources Policy. "Some compose their own responses, and we'll post them and close them out. If they don't have the appropriate knowledge, they forward it to a subject matter expert for evaluation. It seems to be working."

The goal is to get answers to employees' ideas within 10 days, then post the idea, along with the response, to either the "Accepted Ideas" or the "Submitted Ideas" tab on the website, McMinn said. Employees across the agency can then see which ideas have already been proposed and which have been accepted. Once that happens, other employees can comment on them, which McMinn said she hopes leads to collaboration.

"Anybody can see what has been submitted and how it's been responded to," she said. "You can look at an idea and see the response, then say, 'Hey it may not have worked this way, but what about that way?' and submit an idea. It can domino from there. To me, I think that's valuable."

Since its July 1 launch, the Big Ideas website has received 71 ideas, McMinn said. The number has exceeded the team's expectations, and employee

suggestions covering all five of the Big Ideas have come in.

"That's pretty good based on the launch and was more than we expected," she said. "They cover all the focus areas. They're not

limited to just reduce inventory or improve customer service, which is good."

In some cases, additional research requires that the 10-day timeline be extended, McMinn said. Functional group leaders send ideas out to the appropriate subject matter experts when the answer to an idea is not easily found. Figuring out whether an idea is feasible or – in some cases – if it's something DLA is already doing can take research. In these cases, an interim response is posted so the submitter knows the idea is being considered.

Getting answers to the entire DLA workforce in a timely manner is important in maintaining transparency, which was one goal of the website, Salo said. She said having the answers available for everyone is integral to that transparency.

"It's not just the person who has the idea getting a response and no one else knows about it," she said. "They are up there on the website forevermore."

Salo said another goal of the website is to change the perceived "culture of no" within the agency, a belief discovered through DLA's 2012 Culture Survey.

"We see across the agency that employees don't necessarily feel empowered to change the status quo and do things," she said. "[Harnitchek] told us one of the goals we should have is not to let this turn into a more transparent no. Hopefully,

this will actually meet its purpose for empowering employees. There are a lot of good ideas in an ideas factory. You may have lots and lots of suggestions, and there may only be a few good nuggets

in there, but if you don't have a way to get all those ideas out there and get employees positive feedback for being engaged and submitting their ideas, you may not get the full advantage of your workforce." 🌟





# I AM DLA

**My name is:**

*Tonya Custalow-Pearsall*

**I am:**

*An American Sign Language interpreter and equal employment opportunity specialist.*

**Describe your job in a sentence:**

*I primarily act as an ASL interpreter, providing communication access to the hearing and deaf communities. I also assist with reasonable accommodation requests, function as the interpreter scheduler and contracting officer representative for the interpreter contract, and conduct myriad other duties and responsibilities that come with working in the EEO arena.*

**How long have you worked for DLA?**

*I have been with DLA Aviation for five years.*

**What is your favorite thing about working for DLA?**

*My position as an ASL interpreter gives me a unique opportunity to see the success of individuals from an underrepresented population, deaf people, excel in a majority environment, the hearing world. I also am privy to seeing barriers broken in the workplace regarding the myths surrounding deafness.*

**What is your best memory of working here?**

*There are many, but one that stands out for me is a direct result of the hard work and determination of one of the deaf customers I work with every day. This person started as a procurement tech, entered the intern program and graduated to become a contract specialist. I interpreted during the intern program and for that graduation ceremony and knew exactly what the journey entailed.*

**How do you make a difference?**

*I am Native American of the Mattaponi Tribe in Virginia. A favorite Native American quote I have is from the Dakota: "We will be known forever by the tracks we leave." For me, as an ASL interpreter, I have the opportunity to build linguistic and cultural bridges between the deaf and hearing worlds. Those are my tracks that lend themselves to the greater good of the DLA workforce and to the warfighters we serve.*

*Tonya Custalow-Pearsall*